

# 2020 Taxpayer Organizer - Sole Proprietor

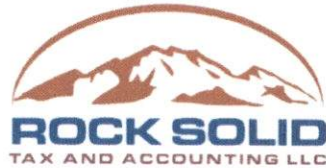


Thank you for choosing Rock Solid Tax and Accounting LLC to do your tax preparation. Please read and sign the engagement letter, complete all personal information on the client information sheet and answer all of the questions on the following pages.

*You may complete the remaining pages or just use them to help organize your information.*

In addition to the organizer, please bring with you:

- the last 3 years' tax returns,
- driver's licenses of taxpayers,
- Social Security cards of all dependents



Client Name: \_\_\_\_\_

Thank you for choosing Rock Solid Tax and Accounting LLC to assist you with your 2020 taxes. This letter confirms the terms of our engagement with you and outlines the nature and extent of the services we will provide.

We will prepare your 2020 federal and state income tax returns. We will depend on you to provide the information we need to prepare complete and accurate returns. **We may ask you to clarify some items but will not audit or otherwise verify the data you submit. It is our understanding that the information you are providing is truthful, complete and you have receipts, and or canceled checks to support all deductions and expenses provided by you. It may be necessary to request these substantiating documents and it is our understanding that you are willing to provide them to us if requested.** An Organizer is enclosed to help you collect the data required for your return. The Organizer will help you avoid overlooking important information.

The tax return fee does not include bookkeeping. Bookkeeping necessary to make data tax return-ready will be added to the tax preparation fee. We will perform accounting services only as needed to prepare your tax returns. Our work will not include procedures to find defalcations or other irregularities. Accordingly, our engagement should not be relied upon to disclose errors, fraud, or other illegal acts, though it may be necessary for you to clarify some of the information you submit. We will inform you of any material errors, fraud, or other illegal acts we discover.

The law imposes penalties when taxpayers underestimate their tax liability. Call us if you have concerns about such penalties and would like to make estimated payments for 2021.

**The impact of the Coronavirus pandemic on the 2020 tax calculations is significant. Congress has passed numerous tax packages over the past year including the SECURE Act, the Families First Act, and the CARES Act. Almost everyone will see some effect from one or all of these important pieces of legislation. It is important that all information related to stimulus payments received, PPP loans, or other Covid-19 related payments be provided. Once again, it is unclear whether or not Arizona will conform with the numerous changes put forth by the IRS. Your tax returns will be prepared with the information that is currently available.**

We will use our professional judgment in preparing your returns. Subsequent developments issued by the applicable tax authorities may affect the information we have previously provided, and these effects may be material. Whenever we are aware that a possibly applicable tax law is unclear or that there are conflicting interpretations of the law by authorities (e.g., tax agencies and courts), we will explain the possible positions that may be taken on your return. In accordance with our professional standards, we will follow whatever position you request, if it is consistent with the codes, regulations, and interpretations that have been promulgated. Should we encounter instances of unclear tax law, or of potential conflicts in the interpretation of the law, we will outline the reasonable courses of action and the risks and consequences of each. We will ultimately adopt, on your behalf, the alternative you select.

Our fee is based on the forms required to prepare the return. Invoices are due and payable upon presentation. **Tax returns will not be filed, and copies of the returns will not be provided to you until payment has been received in full.** If you terminate this engagement before completion, all original documentation will be returned to you. Fees charged for tax return preparation do not include audit representation or preparing materials to respond to correspondence from taxing authorities. Such representation is available as a separate engagement. **Preparation fees do include limited assistance and consultation during the year.**

We will return your original records to you at the end of this engagement. Store these records, along with all supporting documents, canceled checks, etc., in a secure location in case these items are needed later to prove accuracy and completeness of a return. We retain copies of your records and our work papers for your engagement for at least four years. If you want us to delete the information after this time you must provide written instructions.

Our engagement to prepare your 2019 tax returns will conclude with the delivery of the completed returns to you (if paper-filing) or your signature and our subsequent submittal of your tax return (if e-filing). If you have not selected to e-file your returns with our office, you will be solely responsible to file the returns with the appropriate taxing authorities. Review all tax-return documents carefully before signing them.

To affirm that this letter correctly summarizes your understanding of the arrangements for this work, please sign and date in the spaces provided. Thank you for the opportunity to be of service. If you have any questions please contact our office at (480) 322-8207.

Sincerely,

*Sheryl S. McClure, EA*

Sheryl S. McClure, EA  
Rock Solid Tax and Accounting LLC

(Both spouses must sign for preparation of joint returns.)

**Accepted By:**

\_\_\_\_\_  
**Taxpayer**

\_\_\_\_\_  
**Spouse**

\_\_\_\_\_  
**Date**

**For taxpayer convenience our office may provide forms, information and documents in a digital format and convey them to you via electronic signature software, electronic tax preparation software or a secure portal. If you would like to OPT OUT of allowing us to use these methods to provide forms, information or documents, please sign and date below.**

\_\_\_\_\_  
**Taxpayer**

\_\_\_\_\_  
**Spouse**

\_\_\_\_\_  
**Date**



## Privacy Policy

Your privacy is important to us. Please read the following privacy policy.

We collect nonpublic personal information about you from various sources, including:

- \* Interviews regarding your tax situation
- \* Applications, organizers, or other documents that supply such information as your name, address, telephone number, Social Security Number, number of dependents, income, and other tax-related data
- \* Tax-related documents you provide that are required for processing tax returns, such as Forms W-2, 1099R, 1099INT and 1099-DIV, and stock transactions

We do not disclose any nonpublic personal information about our clients or former clients to anyone, except as requested by our clients or as required by law.

We restrict access to personal information concerning you, except to our employees who need such information in order to provide products or services to you. We maintain physical, electronic, and procedural safeguards that comply with federal regulations to guard your personal information.

If you have any questions about our privacy policy, please contact us.

Sincerely,

*Sheryl S. McClure, EA*

Rock Solid Tax and Accounting LLC  
8830 E. Germann Road Bldg. 27  
Mesa, AZ 85212  
(480) 322-8207

## 2020 Tax Organizer Personal and Dependent Information

### Personal Information

	SSN	Has IP PIN	Date of birth
<b>Name</b>			
<b>Taxpayer</b>			
<b>Spouse</b>			
<b>Street address, city, state, and ZIP</b>			
<b>Occupation</b>	<b>Daytime phone</b>	<b>Evening phone</b>	<b>Cell phone</b>
<b>Taxpayer</b>			
<b>Spouse</b>			
<b>Taxpayer email</b>			
<b>Spouse email</b>			

#### Marital Status at end of 2020

- Married  
 Married filing separately  
 Single  
 Widow(er) If spouse died in 2020 enter the date of death \_\_\_\_\_

#### Other Information

- |   |  |  |  |  |
|---|--|--|--|--|
|   | <b>Taxpayer</b>  |  | <b>Spouse</b>  |  |
| Are you blind?  | <input type="checkbox"/> Yes <input type="checkbox"/> No |  | <input type="checkbox"/> Yes <input type="checkbox"/> No |  |
| Are you disabled?   | <input type="checkbox"/> Yes <input type="checkbox"/> No |  | <input type="checkbox"/> Yes <input type="checkbox"/> No |  |
| Are you a full-time student?                                      | <input type="checkbox"/> Yes <input type="checkbox"/> No |  | <input type="checkbox"/> Yes <input type="checkbox"/> No |  |
| Do you want \$3 to go to the Presidential Election Campaign Fund? | <input type="checkbox"/> Yes <input type="checkbox"/> No |  | <input type="checkbox"/> Yes <input type="checkbox"/> No |  |

At any time during 2020 did you receive, sell, send, exchange, or acquire any financial interest in any virtual currency?  Yes  No

### Dependent Information

First and last name SSN	Has IP PIN	Relationship	Months In home	Date of birth	Disabled	Full- time student	Childcare Expenses

List dependents required to file a return \_\_\_\_\_

### COVID-19 Implications

- Yes**     **No**  
 Did you receive an Economic Impact Payment (EIP)?  
     If "Yes," provide Notice 1444 from the IRS.
- Did you experience economic loss due to COVID-19 (loss of job, closed business, etc.)?  
 Were you unemployed for any portion of the year due to COVID-19?  
 Did you continue to receive wages from your employer even if you were unable to work?  
 Did you receive a distribution from a retirement plan (401K, IRA, etc.) due to COVID-19?
- If you own a farm or business:**
- Did you continue to pay any employee while they were not working?  
 Did you delay withholding FICA taxes from any employee's pay?  
 Did you receive a Paycheck Protection Program (PPP) loan?  
     If "Yes," was the loan forgiven or have you applied for forgiveness? \_\_\_\_\_
- Were you unable to work due to COVID-19 and, if employed by someone other than yourself, would have qualified for sick or family leave?

### Appointment Information

Your 2020 appointment is scheduled for \_\_\_\_\_

### Additional Taxpayer Information

Name: \_\_\_\_\_

SSN: \_\_\_\_\_

**Estimates**

	Federal		Resident state		Resident city	
	Date paid	Amount	Date paid	Amount	Date paid	Amount
Overpayment applied from 2019	_____	_____	_____	_____	_____	_____
First quarter	_____	_____	_____	_____	_____	_____
Second quarter	_____	_____	_____	_____	_____	_____
Third quarter	_____	_____	_____	_____	_____	_____
Fourth quarter	_____	_____	_____	_____	_____	_____
Additional payments	_____	_____	_____	_____	_____	_____

**Account Information for Deposits or Withdrawals**

Name of bank	Bank routing number	Bank account number	Type of account		Use this account for	
			Checking	Savings	Deposits	Withdrawals

**Identification Information**

**Taxpayer**

Type of photo ID  Driver's license  State-issued photo ID

Driver's license or state-issued photo ID number \_\_\_\_\_

State the driver's license or state-issued photo ID was issued in \_\_\_\_\_

Issue date of the driver's license or state-issued photo ID \_\_\_\_\_

Expiration date of the driver's license or state-issued photo ID \_\_\_\_\_

**Spouse**

Type of photo ID  Driver's license  State-issued photo ID

Driver's license or state-issued photo ID number \_\_\_\_\_

State the driver's license or state-issued photo ID was issued in \_\_\_\_\_

Issue date of the driver's license or state-issued photo ID \_\_\_\_\_

Expiration date of the driver's license or state-issued photo ID \_\_\_\_\_

# Questions—All Taxpayers

(Provide related statements or other documentation.)

"You" refers to both taxpayer and spouse—enter "?" if unsure about a question.

LIFESTYLE & TAXES	Yes	No	Are either you or your spouse legally blind?			
	Yes	No	Did you pay or receive alimony in 2020?		Recipient's SSN	
			Paid	Received	\$	
	Yes	No	Did you purchase health insurance through a public exchange?			
	Yes	No	Will there be any significant changes in income or deductions next year, such as retirement?			
	Yes	No	Have you paid alternative minimum tax (AMT) in previous years?			
	Yes	No	Did you pay anyone for domestic services in your home?			
	Yes	No	Did you purchase a new energy-efficient car, truck, or van?			
	Yes	No	Are you involved in bankruptcy, foreclosure, repossession, or had any debt (including credit cards) cancelled?			
	Yes	No	Are you a member of the military?		State of residency	
	Yes	No	Were you a citizen of or lived in a foreign country?		Foreign country	
	Yes	No	Do you own or have financial interest in a foreign bank or financial account? Balance exceeds \$50,000			Yes No
	Yes	No	Did you receive an economic impact payment? If so, provide the amount.			
	Yes	No	Would you like to allow your tax preparer or another person to discuss your return with the IRS?			
		Designee's name	Phone number	PIN (any five digits)		
CHILDREN & EDUCATION	Yes	No	Were any children born or adopted in 2020? (Provide statement for other expenses.)			
	Yes	No	Were any children attending college?	Year in college	Paid by you: Tuition \$	
					Student loan interest \$	Books \$
				Paid by student: Tuition \$	Student loan interest \$	
					Books \$	
	Yes	No	Did you pay any tuition for a private school for a dependent or take classes yourself?			
			Student		Amount paid \$	
			Name and address of school			
	Yes	No	Did you pay for child or dependent care so you could work or go to school? (add statement if needed)			
			Name of provider		EIN or SSN	
		Address		Amount paid \$		
Yes	No	Do you have any children who have unearned income of \$1,100 or more?				
Yes	No	Did you make any contributions to a 529 plan in 2020?				
INVESTMENTS	Yes	No	Did you, or will you, contribute any money to an IRA for 2020?		Traditional IRA Roth IRA	
	Yes	No	Did you roll over any amounts from a retirement account in 2020?			
	Yes	No	Did you sell or transfer any stock or sell rental or investment property?			
	Yes	No	Did you receive any income from an installment sale?			
	Yes	No	Did you have any investments become worthless or were you a victim of investment theft in 2020?			
	Yes	No	Were you granted, or did you exercise, any employee stock options during 2020?			
	Yes	No	Did you receive, sell, send, exchange, or otherwise acquire any financial interest in any virtual currency?			
	Yes	No	Did you, or do you plan to, contribute money before April 15, 2021 to a HSA for 2020? If yes, provide details.			
DEDUCTIONS	Yes	No	Did you pay any interest on a loan for a boat or RV that has living quarters? If yes, provide details.			
	Yes	No	Did you pay sales taxes on a major purchase in 2020, such as a vehicle, boat, or home?			
	Yes	No	Did you make any charitable contributions in 2020? If yes, provide details.			
	Yes	No	Did you work from a home office or use your car for business?			
BUSINESS	Yes	No	Did you receive income from a sharing/gig economy activity (e.g. Airbnb, Uber, etc.)			
	Yes	No	Do you own a business or an interest in a partnership, corporation, LLC, farming activities, or other venture?			
	Yes	No	Did you purchase or sell a main home during the year? If yes, provide closing statement.			
HOME	Yes	No	If you sold a home, did you claim the First-Time Homebuyer Credit when it was purchased? If yes, provide details.			
	Yes	No	Did you refinance a mortgage or take a home equity loan? If yes, provide closing statement.			
	Yes	No	Did you use any mortgage loan proceeds for purposes other than to buy, build, or substantially improve your home?			
	Yes	No	Did you make any new energy-efficient improvements to your home? If yes, provide details.			
State information		Full-year resident	Part-year resident	Nonresident	School district	
States of residence during 2020 and dates			Do you rent or own your home? Rent Own			



# Income Worksheet

Provide to your preparer all Forms W-2, 1099-INT, 1099-DIV, 1099-R, 1099-MISC, and other income reporting statements. Do not list dollar amounts for the following forms. Your preparer will report the appropriate amounts.

Indicate "T" for taxpayer, "S" for spouse, "J" for joint

Provide additional statements if more room is needed

## Forms W-2—Wage and Tax Statement

T/S	Employer name	T/S	Employer name
	1)		4)
	2)		5)
	3)		6)

## Forms 1099-INT—Interest Income

T/S/J	Name of issuer	T/S/J	Name of issuer
	1)		4)
	2)		5)
	3)		6)

## Forms 1099-DIV—Dividends and Distributions

T/S/J	Name of issuer	T/S/J	Name of issuer
	1)		4)
	2)		5)
	3)		6)

## Forms 1099-R—Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, Etc.

T/S	Name of issuer	T/S	Name of issuer
	1)		4)
	2)		5)
	3)		6)

If the distribution is before age 59½, give a reason to determine if an exception to penalty applies.

## Tax-Exempt Interest (such as municipal bonds—include statement)

Payer	\$	Payer	\$

## Other Income

	\$	Other	\$
State tax refund			
Unemployment compensation			
Social Security (taxpayer)—provide SSA-1099 or RRB-1099			
Social Security (spouse)—provide SSA-1099 or RRB-1099			
Unreported tips			
Business income (see <i>Sole Proprietorship Tax Organizer</i> )		Stock sales	See "Sales and Exchanges Worksheet" below.
Rental income (see <i>Rental Property Tax Organizer</i> )		Sale of other property	

# Sales and Exchanges Worksheet

Provide information about sales of stock, real estate, or other property, along with Forms 1099-B, 1099-S, or other supporting statements.

Description of property	Purchase date	Cost/basis	Sale date	Sale price
		\$		\$
		\$		\$
		\$		\$

## Notes:

- When stock is sold, you will usually receive Form 1099-B, *Proceeds From Broker and Barter Exchange Transactions*, reporting the proceeds from the sale. However, your statement will not always provide the cost/basis information necessary to compute gain or loss. If the statement does not contain the cost/basis information, you must provide it. You may need to contact your broker for questions about cost/basis and purchase dates of your stock accounts.
- Often, "transfers" of stock or mutual funds within a brokerage account are actually sales of one type of stock and purchase of another. Even if you did not receive any cash from the transaction, you may have taxable gain or loss.
- If your stock dividends are automatically reinvested, the dividends will be taxable even though you did not receive any cash. The transaction is treated as if you had received cash and purchased additional stock. When the stock is sold, the amount reinvested over the years is taken into account. You may need to contact your broker for questions about the amount of reinvested dividends.
- If you sold property other than stock, your taxable gain or loss will be determined by your cost/basis. The cost/basis is usually the original purchase price plus improvements (the cost of repairs and maintenance are not taken into account for cost/basis).



Schedule A - Itemized Deductions

Name: \_\_\_\_\_

SSN: \_\_\_\_\_

**Medical and Dental Expenses**

	2020	2019
Health insurance premiums (paid by you, not through work) . . . . .	_____	_____
Long-term care premiums (you) . . . . .	_____	_____
Long-term care premiums (your spouse) _____	_____	_____
Long-term care premiums (dependents) _____	_____	_____
Mileage driven for medical purposes . . . . .	_____	_____
Out of pocket medical and dental expenses (list) . . . . .	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

**Charitable Contributions**

	2020	2019
Donations to charity (cash) . . . . .	_____	_____
Disaster relief contributions . . . . .	_____	_____
Miles driven for charitable purposes _____	_____	_____
Donations to charity (noncash) . . . . .	_____	_____
If noncash donations are greater than \$500, list below		
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

**Taxes Paid**

State and local income taxes . . . . .	_____	_____
Sales tax . . . . .	_____	_____
Real estate taxes . . . . .	_____	_____
Personal property taxes . . . . .	_____	_____
Other taxes (list) _____	_____	_____
_____	_____	_____

**Other Miscellaneous Deductions**

Amortizable bond premiums . . . . .	_____	_____
Federal estate tax . . . . .	_____	_____
Gambling losses . . . . .	_____	_____
Impairment-related work expenses _____	_____	_____
Claim repayments . . . . .	_____	_____
Unrecovered pension investments _____	_____	_____
Schedule K-1 . . . . .	_____	_____
Ordinary loss debt instrument . . . . .	_____	_____
Excess deduction on termination _____	_____	_____

**Interest Paid**

Mortgage interest paid (attach Form 1098) _____	_____	_____
<input type="checkbox"/> Some of your home mortgage loan was not used to buy, build, or improve your home		
Mortgage interest paid to an individual _____	_____	_____
Paid to:		
Name _____		
Address _____		
City, State, ZIP _____		
SSN or EIN _____		
Mortgage insurance premiums . . . . .	_____	_____
Investment interest . . . . .	_____	_____

**For state purposes ONLY  
Job Expenses & Certain Miscellaneous Deductions**

Necessary job expenses you paid that were not reimbursed by your employer (list)		
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
Union dues . . . . .	_____	_____
Tax preparation fees . . . . .	_____	_____
Other nonpersonal expenses related to taxable income (list)		
_____	_____	_____
_____	_____	_____
_____	_____	_____
Investment expenses not entered elsewhere . . . . .	_____	_____
Home equity interest . . . . .	_____	_____

# Sole Proprietorship Tax Organizer

Use a separate organizer for each business

## Sole Proprietor General Information

Name of sole proprietor	
Business name (if different)	EIN (if applicable)
Business address (if different from home address)	
Principal business activity	Date business started
Principal product or service	
Yes No	Was the primary purpose of the business activity to realize a profit?
Yes No	Did you materially participate in the operation of this business?
Yes No	Has the business reported any losses in prior years?
Accounting method: Cash Accrual Other (specify)	
Yes No	Does the business file under a calendar year? (If no, list the fiscal year.)

## Sole Proprietor Specific Questions

Yes No	Did you pay any family members for services?
Yes No	Did you make any payments of \$600 or more to subcontractors, attorneys, accountants, directors, etc.?
Yes No	If Yes, did you issue Form 1099-MISC? List name and social security number (SSN) for each person to whom you paid \$600 or more.
	Name SSN
	Name SSN
Yes No	Did you make, or do you plan to make, any contributions to a self-employed retirement plan?
	Type of plan Amount contributed \$
Yes No	Did you pay for your own health/dental insurance? If Yes, provide amount of premiums paid during the year. \$
Yes No	Did you have any employees?
Yes No	Did you have any bartering transactions in 2019?

## Sole Proprietor Business Income

Gross receipts or sales (if you received Forms 1099-MISC, list name of payer and amount separately from gross receipts or sales)	\$
Form 1099-MISC \$	Form 1099-K \$
Total of all Forms 1099-MISC and 1099-K received	\$
Returns and allowances	\$( )
Other income (not included in gross receipts above)	\$

Form 1099-MISC. You may receive Form 1099-MISC (instead of Form W-2) if you are not classified as an employee. If you receive Form 1099-MISC, you are generally required to file Schedule C, Profit or Loss From Business, claim any expenses associated with the income received, and must pay self-employment (SE) tax on the income.

## Sole Proprietor Cost of Goods Sold (for manufacturers, wholesalers, and businesses that make, buy, or sell goods)

Inventory at the beginning of the year	\$
Purchases	\$
Cost of labor	\$
Materials and supplies	\$
Inventory at the end of the year	\$

## Sole Proprietor Business Expenses

Advertising	\$	Meals – business	\$
Bad debts	\$	Office supplies	\$
Bank charges	\$	Start-up costs (first year of business)	\$
Business licenses	\$	Pension and profit sharing plans	\$
Commissions and fees	\$	Rent or lease – car, machinery, equipment	\$
Contract labor <sup>1</sup>	\$	Rent or lease – other business property	\$
Employee benefit programs	\$	Repairs and maintenance	\$
Employee health care plans	\$	Supplies (not included in inventory cost)	\$
Entertainment <sup>2</sup>	\$	Taxes – payroll <sup>1</sup>	\$
Gifts	\$	Taxes – property	\$
Insurance (other than health insurance)	\$	Taxes – sales	\$
Interest – mortgage	\$	Taxes – state	\$
Interest – other	\$	Telephone	\$
Internet service	\$	Utilities	\$
Legal and professional services	\$	Wages <sup>1</sup>	\$
Management fees	\$	Other	\$

<sup>1</sup> Provide copies of Form W-3, Form 940, Form 941, Form 1096, Form 1099-MISC, and any state tax forms filed.

<sup>2</sup> Entertainment is no longer deductible for taxes.

**Other Business Expenses – List out type and expense amount**

	\$		\$
	\$		\$
	\$		\$
	\$		\$
	\$		\$
	\$		\$
	\$		\$
	\$		\$
	\$		\$
	\$		\$
	\$		\$

**Car Expenses (use a separate form for each vehicle)**

Make/Model		Date car placed in service	
Yes	No	Car available for personal use during off-duty hours?	
Yes	No	Do you (or your spouse) have any other cars for personal use?	
Yes	No	Do you have evidence?	
Yes	No	Is your evidence written?	
		Cost of trade-in	Trade-in value
		\$	\$
		<i>Mileage</i>	
		<i>Actual Expenses</i>	
Beginning of year odometer		Gas/oil	\$
End of year odometer		Insurance	\$
Business mileage		Parking fees/tolls	\$
Commuting mileage		Registration/fees	\$
Other mileage		Repairs	\$

Generally, you can use either the standard mileage rate or actual expenses to figure the deductible costs of operating your car for business purposes. However, to use the standard mileage rate, it must be used in the first year the car is available for business. In later years, you can then choose between either the standard mileage rate method or actual expenses.

**Travel Expenses**

- **Meals.** You can deduct the cost of meals while traveling away from home on business. You can use the actual cost of your meals or the standard meal allowance per diem, which can vary by location.
- **Travel/Lodging.** You can deduct the ordinary and necessary expenses of traveling away from your home for business purposes. Included expenses are transportation, airfare, taxi, lodging, etc.

City visited (for per diem)	# of days in city	City visited (for per diem)	# of days in city

**Travel expenses**

Airfare	\$	Other travel expenses (describe below)	
Bus, train, taxi	\$		\$
Entertainment	\$		\$
Lodging	\$		\$
Parking and tolls	\$		\$
Meals (actual receipts)	\$		\$

**Equipment Purchases – Enter the following information for depreciable assets purchased that have a useful life greater than one year**

Asset	Date purchased	Cost	Date placed in service	New or used?
		\$		
		\$		
		\$		
		\$		
		\$		
		\$		
		\$		
		\$		
		\$		
		\$		

**Depreciation.** Depreciation is the annual deduction that allows you to recover the cost or other basis of your business property over a certain number of years. Depreciation starts when you first use the property in your business. It ends when you either take the property out of service, deduct all your depreciable cost or basis, or no longer use the property in your business. The IRS has outlined a useful life (a set number of years) for most assets.

## Equipment Sold or Disposed of During Year

Asset	Date out of service	Date sold	Selling price/FMV	Trade-in?
			\$	
			\$	
			\$	
			\$	

**Disposition of Property.** A disposition of property occurs when you sell property for cash or other property, you exchange property for other property, you transfer property to satisfy a debt, you abandon property, your bank forecloses or repossesses your property, or your property is damaged, destroyed, or stolen and you receive property or money in payment.

## Business Use of the Home

Area of home must be exclusively used for business except for storage or day care. *Note:* Managing rental activities or investments does not qualify for business use of the home.

### All Taxpayers

### For Day Care Only

A) Business use area (square footage)		1) Hours used for day care	
B) Total area of home (square footage)		2) Total hours in year	8,760 hrs.

Enter below only the expenses paid during the period the home was used for business.

*Direct expenses benefit only the business use portion of the home. This includes painting or repairs exclusively for the business area.*

*Indirect expenses are for keeping up and running the entire home, such as mortgage interest and property taxes.*

If you bought or sold your home during 2019, copy this worksheet and fill out one for each home.

	Direct	Indirect		Direct	Indirect
Mortgage interest	\$	\$	Repairs and maintenance	\$	\$
Property taxes	\$	\$	Utilities	\$	\$
Insurance	\$	\$	Other	\$	\$
Rent	\$	\$	Other	\$	\$

## Depreciation of the Home

Lower of cost or fair market value of home	\$	Improvements?	Yes	No
Value of land	\$	Casualty losses in 2019?	Yes	No

## 1) Exclusive Use Test—Business Use of Home

The exclusive use test is met if an area of the home is used only for business. The area can be a room or other separately identifiable space. The space does not need to be marked off by a permanent partition. This test is not met if you use the area both for business and for personal purposes, such as a den used for business during the day and TV viewing during the evening.

The exclusive use test is not required for:

- An area used on a regular basis for storage of inventory or product samples.
- A home used as a day care facility.

Storage of inventory or product samples—exception to exclusive use test. If you use part of a home for business to store inventory or product samples you are not required to meet the exclusive use test. However, you must meet all the following tests.

- You are in the business of selling products at wholesale or retail.
- The inventory or product samples are kept in the home for use in the business.
- You home is the only fixed location of the business.
- The storage space is used on a regular basis.
- The storage space is a separately identifiable space suitable for storage.

## 2) Regular Use Test—Business Use of Home

The regular use test means you must use a specific area of the home for business on a regular basis. Incidental or occasional business use is not regular use. All facts and circumstances are considered in determining whether the business use is regular.

## 3) Trade or Business Use Test—Business Use of Home

To satisfy the trade or business use test, the portion of the home used for business must be used in connection with a trade or business. If the business use is for a profit-seeking activity that is not a trade or business, the deduction is not allowed.

## 4) Principal Place of Business Test—Business Use of Home

A trade or business can have more than one location. To qualify for a business use of home deduction, the home must be the principal place of business for that trade or business. To make this determination, the following are considered.

- The relative importance of the activities performed at each place where business is conducted, and
- The amount of time spent at each place where business is conducted.

A home office qualifies under this test if:

- The home office is used exclusively and regularly for administrative or management activities of the trade or business.
- There is no other fixed location where substantial administrative or management activities are conducted.

## Self-Employment (SE) Tax

• SE tax is a Social Security and Medicare tax primarily for individuals who are self-employed. It is similar to the Social Security and Medicare tax withheld from the pay of most wage earners. Your payments of SE tax contribute to your coverage under the Social Security system. Social Security coverage provides you with retirement benefits, disability benefits, survivor benefits, and hospital insurance (Medicare) benefits.

• You must pay SE tax if your net earnings from self-employment were \$400 or more, or you had church employee income of \$108.28 or more. The SE tax rules apply no matter how old you are and even if you are already receiving Social Security or Medicare benefits.

• The SE tax rate on net earnings is 15.3% (12.4% for Social Security plus 2.9% for Medicare). Only the first \$132,900 (2019) of combined wages, tips, and net earnings is subject to the 12.4% Social Security part of SE tax.